

For this purpose, the CONTRACTOR shall, before payment is made on the works accomplished, submit an affidavit certifying to the fact of payments of said labor, materials, supplies, equipment, insurance premiums, etc.

3.05 All payments shall be subject to existing government accounting and auditing rules and regulations.

3.06 Progress payments are subject to retention of ten percent (10%) referred to as the "retention money". Such retention shall be based on the total amount due to the contractor prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of works, as determined by the PPA are completed. If, after fifty percent (50%) completion, the work is satisfactorily done and on schedule, no additional retention shall be made; otherwise, the ten percent (10%) retention shall be imposed.

3.07 The total "retention money" shall be due for release upon final acceptance of the works. The CONTRACTOR may, however, request for the substitution of the retention money for each progress billing with irrevocable standby letters of credit from a commercial bank, bank guarantees or surety bonds callable on demand issued by any reputable surety or insurance company duly accredited by the Office of the Insurance Commission of amounts equivalent to the retention money substituted for and acceptable to PPA, provided that the project is on schedule and is satisfactorily undertaken. Otherwise, the ten percent (10%) retention shall be made. Said irrevocable standby letters of credit, bank guarantees and/or surety bonds, to be posted in favor of PPA shall be valid for a duration to be determined by PPA and will answer for the purpose for which the ten percent (10%) retention is intended, i.e., to cover uncorrected discovered defects and third party liabilities.

ARTICLE IV

PERFORMANCE SECURITY

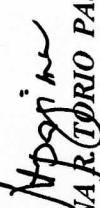
4.01 To guarantee the faithful performance of the CONTRACTOR of its obligations under this Contract, it shall post prior to the signing of the Contract a performance security in the form of cash, manager's check, cashier's check, bank draft/guarantee, confirmed by a Universal or Commercial bank, irrevocable letter of credit issued by a Universal/or Commercial Bank, surety bond, callable on demand, issued by a surety or insurance company duly accredited by the Office of the Insurance Commission as authorized to issue such security and acceptable to PPA or a combination thereof as may be required by PPA, in accordance with the following schedule:


- a. bank draft/guarantee or irrevocable letter of credit issued by a Universal or Commercial Bank - ten percent (10%) of the total contract price
- b. surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security - thirty percent (30%) of the total contract price
- c. any combination of the foregoing – proportionate to share of form with respect to total amount of security


4.02 This performance security shall be denominated in Philippine Pesos and posted in favor of PPA, and shall be forfeited in favor of PPA in the event it is established that the CONTRACTOR is in default in any of its obligations under this Contract.


4.03 Subject to the conditions of the Contract, the performance security may be released by PPA after the issuance of the Certificate of Acceptance of the project, provided that PPA has no claims filed against the CONTRACTOR or the surety company and there are no claims for labor and materials filed against the contractor.

4.04 Should any surety upon the bond for the performance of this Contract become unacceptable to the PPA, the CONTRACTOR shall promptly furnish such replacement security as may be required from time to time up to the sum equal to the amount of the original surety.

R.M. PAJIMNA BUILDERS

JULIANA R. TORIO PAJIMNA
Witness


RUDY M. PAJIMNA
Proprietor

PHILIPPINE PORTS AUTHORITY

ROSALIA S. FERRER, JR.
Witness


ELIGIO P. FORTAJADA
Acting Port Manager, PMO-NCR South